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OF COUNSEL
URBAN A. LESTER

March 20, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D C 20423

Dear Mr. Williams

Enclosed for recordation pursuant to the provisions of 49 U S C Section 11301(a), are six (6) copies of a Master Equipment Lease Agreement No 97-1, dated as of March 20, 1997, a primary document as defined in the Board's Rules for the Recordation of Documents and two (2) copies of a Lease Supplement and Acceptance Certificate No 1, a secondary document related thereto

The names and addresses of the parties to the enclosed document are

Lessor	Comerica Leasing 29201 Telegraph Road Southfield, Michigan 48034
Lessee	Dakota, Minnesota & Eastern Railroad Corporation 337 22nd Avenue South Brookings, South Dakota 57006

A description of the railroad equipment covered by the enclosed document is

twenty-four (24) locomotives identified on Annex A attached to the Lease Supplement

Mr Vernon A Williams
March 20, 1997
Page 2

Also enclosed is a check in the amount of \$48 00 payable to the order of the
Surface Transportation Board covering the required recordation fee

Kindly return one stamped copy of the enclosed document to the undersigned

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Robert W. Alvord', written in dark ink.

Robert W Alvord

RWA/bg
Enclosures

20591-A

MAR 21 1997 11:20 AM

LEASE SUPPLEMENT AND ACCEPTANCE CERTIFICATE NO. 1

THIS LEASE SUPPLEMENT AND ACCEPTANCE CERTIFICATE NO. 1 (the "Lease Supplement No. 1") is dated as of March 20, 1997 (the "Acceptance Date"), and is executed by Comerica Leasing, a Division of Comerica Bank, a Michigan banking corporation (successor by merger to Comerica Leasing Corporation, a Michigan corporation) ("Lessor") and Dakota, Minnesota & Eastern Railroad Corporation, a Delaware corporation ("Lessee") pursuant to Section 4 of the Master Equipment Lease Agreement No. 97-1, of even date herewith, between Lessee and Lessor (the "Agreement"). All capitalized terms used herein but not defined herein shall have the meanings given to such terms in the Agreement.

Lessee hereby acknowledges and agrees that the equipment specified on Annex A to this Lease Supplement No. 1 (the "Equipment") has been delivered to Lessee on or before the date hereof at the delivery place described below, and that, as between Lessor and Lessee, the Equipment: (a) has been inspected to the complete satisfaction of Lessee; (b) is in good operating order, repair and condition, without defect or inherent vice in title; (c) is of a size, design, capacity and manufacture selected by Lessee; (d) is suitable for Lessee's purposes; (e) has been unconditionally accepted by Lessee on the date hereof, for all purposes of the Agreement; and (f) is subject to all of the terms, conditions and provisions of the Agreement, the terms and provisions of which are hereby incorporated as if fully set forth herein. Lessee further acknowledges, agrees and certifies that Lessor has made no warranty, express or implied, with respect to the Equipment and that the insurance policies, certificates or other documents evidencing the coverages required under the Agreement have been delivered to Lessor.

Lessee hereby leases from Lessor the Equipment upon and subject to all of the terms, conditions and provisions of the Agreement, and Lessor and Lessee further agree and state as follows:

1. Delivery Place for the Equipment: Tracey, Minnesota.
2. The Acquisition Cost is \$ * * * ; the Maximum Cost is \$ * * * .
3. The basic term (the "Basic Term") for the Equipment commences on March , 1997 (the "Base Lease Commencement Date"), and ends on March , 2004, both dates inclusive, unless sooner terminated in accordance with the provisions of the Agreement.
4. At least one hundred eighty (180) days prior to the end of the Basic Term or any Renewal Term (excepting the end of the sixth (6th) Renewal Term which is subject to the provisions of

Section 29 of the Agreement) Lessee shall elect either to (a) renew the Agreement for all but not less than all the Equipment described in Lease Supplement No. 1 pursuant to the provisions of Section 5 of this Lease Supplement No. 1 for a twelve month period ("Renewal Term") (with the same option for an additional five Renewal Terms) at monthly installments equal to the Base Payment Factor for such Equipment multiplied by the Acquisition Cost for such Equipment; (b) purchase all such Equipment pursuant to the provisions of Section 6 of this Lease Supplement No. 1; or c) terminate the Agreement with respect to all such Equipment pursuant to the provisions of Section 7 of this Lease Supplement No. 1.

5. So long as such renewal shall not be prohibited by any applicable law or governmental regulation, Lessee may at its option, at the expiration of the Basic Term, or any Renewal Term, renew the lease of all but not less than all the Equipment described in Lease Supplement No. 1 for not more than six (6) renewal terms in the aggregate, each of one (1) year(s) duration (each such term, a "Renewal Term"). Such option to renew shall be exercised by Lessee giving notice of renewal to Lessor, which notice shall be irrevocable, at least one hundred eighty (180) days) prior to the expiration of the Basic Term and each of the first five (5) Renewal Terms, if any. If Lessee fails to give such a notice within the permitted time period, provided that Lessee has not then exercised its options pursuant to Sections 6 or 7 of this Lease Supplement No. 1, Lessee shall be deemed to have requested a Renewal Term extension under Section 4(a) hereof. All of the provisions of the Agreement shall be applicable during each Renewal Term. Anything in the Agreement, this Lease Supplement No. 1 or any related document or agreement to the contrary notwithstanding, unless Lessor otherwise consents in writing, the Agreement may not be renewed for any Renewal Term if a Default or an Event of Default shall have occurred and be continuing on the day preceding the first day of such Renewal Term.

6. To the extent no Default or Event of Default shall have occurred and be continuing, Lessee may purchase all but not less than all the Equipment described in Lease Supplement No. 1 on any annual anniversary date of the Base Lease Commencement Date during the Term upon at least one hundred eighty (180) days prior written notice to Lessor. Once given, such notice shall be irrevocable. Lessee may exercise such early purchase option to the extent the following conditions are met: (a) on the Basic Payment Date designated for such sale and purchase by Lessee, Lessee pays Lessor the Termination Value and Make-Whole Amount for such date in good, immediately available funds; (b) on the Basic Payment Date designated for such sale and purchase by Lessee, Lessee pays Lessor all Basic Payments and Supplemental Payments then due and owing or accrued to such date; (c) Lessee shall pay all Sales

Expenses associated with the sale of Equipment; together with the Make-Whole Amount (if any) then applicable; and (d) Lessee shall retain such Equipment. Upon receipt of all funds then due and owing to Lessor hereunder, Lessor shall sell such Equipment to Lessee on an "as-is, where-is" without recourse or warranty, express or implied, basis and deliver a bill of sale and all the documentation reasonably necessary to transfer to Lessee all of Lessor's right, title and interest in and to such Equipment, without recourse to or warranty by Lessor.

7. To the extent no Default or Event of Default shall have occurred and be continuing, and upon a reasonable good faith determination by the board of directors or its designee of Lessee that all but not less than all the Equipment described in this Lease Supplement No. 1 is obsolete or surplus for the purposes of Lessee, Lessee may terminate the Agreement on any annual anniversary date of the Base Lease Commencement Date during the Term upon at least one hundred eighty (180) days prior written notice to Lessor. Once given, such notice shall be irrevocable. Lessee may exercise such early termination option to the extent the following conditions are met: (a) Lessee arranges for the sale of all but not less than all the Equipment described in Lease Supplement No. 1 to a Third Party Purchaser which is financially capable of purchasing such Equipment; (b) on the Basic Payment Date designated for such sale, such Third Party Purchaser pays Lessor the previously agreed purchase amount in good, immediately available funds; (c) in the event that such purchase amount is less than the sum of the Termination Value and the make-whole amount for such date, Lessee shall pay Lessor the difference between such purchase amount and the Termination Value and Make-Whole amount and the Termination Value and Make-Whole amount for such date; (d) on the Basic Payment Date designated for such sale, Lessee shall pay all Basic Payments and Supplemental Payments then due and owing or accrued; (e) on the Basic Payment Date designated for such sale, Lessee shall pay, or cause to be paid, all Sales Expenses associated with such sale of such Equipment, together with the Make-Whole Amount (if any) then applicable and (f) Lessee shall deliver such Equipment to such Third Party Purchaser in accordance with the provisions of Section 6 of the Agreement as if such Third Party Purchaser were the Lessor. Upon receipt of all amounts in good funds then due and owing to Lessor hereunder, Lessor shall sell such Equipment to such Third Party Purchaser on an "as-is, where-is" basis and deliver a bill of sale and all other documentation reasonably necessary to transfer to such Third Party Purchaser all of Lessor's right, title and interest in and to such Equipment, without recourse to or warranty by Lessor, express or implied.

8. The Basic Payment Factor is * * * .

9. The transaction rate (the "Transaction Rate") is
* * * %.

10. The Casualty Loss Value percentages for the Equipment during the Term are set forth on Annex B hereto.

11. The Maximum Lessee Risk Amount percentages and the Maximum Lessor Risk Amount percentages for the Equipment during the Term are set forth on Annex C hereto.

12. The Termination Value percentages for the Equipment during the Term are set forth on Annex D hereto.

13. This Lease Supplement and Acceptance Certificate No. 1 may be executed in as many counterparts as shall be determined by the parties hereto when so executed, and each such counterpart shall be binding on both parties hereto, notwithstanding that both parties are not signatories to the same counterpart.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Supplement and Acceptance Certificate No. 1 to be executed by their duly authorized representatives as of the date first above written.

COMERICA LEASING, A DIVISION OF
COMERICA BANK

By: Michael J. MacMichael
Michael J. MacMichael

Its: Assistant Vice President

DAKOTA, MINNESOTA & EASTERN
RAILROAD CORPORATION

By: _____
Kurt V. Feaster

Its: Chief Financial Officer

* * * commercially sensitive information omitted from filing copy.

9. The transaction rate (the "Transaction Rate") is _____%.

10. The Casualty Loss Value percentages for the Equipment during the Term are set forth on Annex B hereto.

11. The Maximum Lessee Risk Amount percentages and the Maximum Lessor Risk Amount percentages for the Equipment during the Term are set forth on Annex C hereto.

12. The Termination Value percentages for the Equipment during the Term are set forth on Annex D hereto.

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IN WITNESS WHEREOF, the parties hereto have caused this Lease Supplement and Acceptance Certificate No. 1 to be executed by their duly authorized representatives as of the date first above written.

COMERICA LEASING, A DIVISION OF
COMERICA BANK

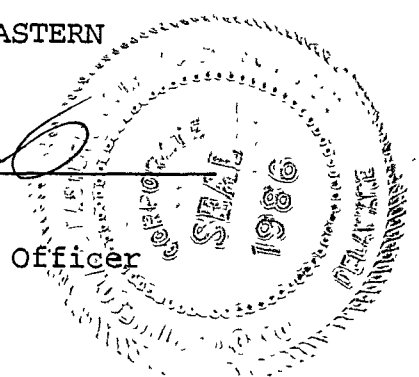
By: _____
Michael J. MacMichael

Its: Assistant Vice President

DAKOTA, MINNESOTA & EASTERN
RAILROAD CORPORATION

By: Kurt V. Feaster
Kurt V. Feaster

Its: Chief Financial Officer



COUNTERPART NO. _____ OF _____ SERIALY NUMBERED MANUALLY
EXECUTED COUNTERPARTS. TO THE EXTENT IF ANY THAT THIS DOCUMENT
CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO
SECURITY INTEREST IN THIS DOCUMENT MAY BE CREATED THROUGH THE
TRANSFER AND POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART
NO. 1.

STATE OF)
) ss
COUNTY OF)

I, _____, a Notary Public of the County and
State aforesaid, certify that Kurt V. Feaster personally
came before me this day and acknowledged that he is Chief
Financial Officer of Dakota, Minnesota & Eastern Railroad
Corporation, a Delaware corporation, and that by authority duly
given and as the act of the corporation, the foregoing instrument
was signed in its name by its Chief Financial Officer.

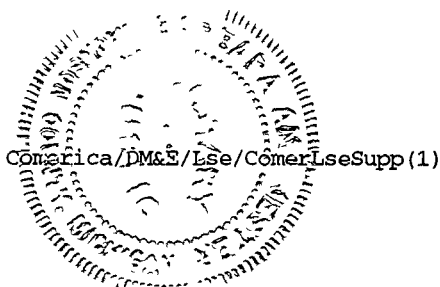
WITNESS my hand and official stamp or seal, this ____ day of
March, 1997.

Notary Public
County, _____
My Commission Expires: _____

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

I, Barbara Ann Jester, a Notary Public of the County and State
aforesaid, certify that Michael J. MacMichael personally came
before me this day and acknowledged that he is Assistant Vice
President of Comerica Leasing, a Division of Comerica Bank, a
Michigan banking corporation, and that by authority duly given and
as the act of the corporation, the foregoing instrument was signed
in its name by its Assistant Vice President.

WITNESS my hand and official stamp or seal, this 20th day of
March, 1997.



Barbara Ann Jester
Barbara Ann Jester, Notary Public
Oakland County, Michigan
My Commission Expires: 05/09/2001

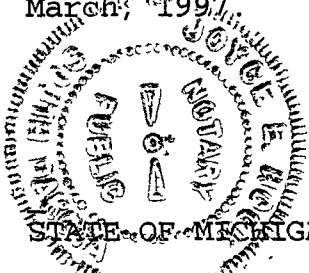
BARBARA ANN JESTER
Notary Public, Jackson County, Michigan
Acting in Oakland County
My Commission Expires May 9, 2001

COUNTERPART NO. _____ OF _____ SERIALY NUMBERED MANUALLY EXECUTED COUNTERPARTS. TO THE EXTENT IF ANY THAT THIS DOCUMENT CONSTITUTES CHATTEL PAPER UNDER THE UNIFORM COMMERCIAL CODE, NO SECURITY INTEREST IN THIS DOCUMENT MAY BE CREATED THROUGH THE TRANSFER AND POSSESSION OF ANY COUNTERPART OTHER THAN COUNTERPART NO. 1.

STATE OF South Dakota)
) ss
COUNTY OF Brookings)

I, Joyce E. Hock, a Notary Public of the County and State aforesaid, certify that Kurt V. Feaster personally came before me this day and acknowledged that he is Chief Financial Officer of Dakota, Minnesota & Eastern Railroad Corporation, a Delaware corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Chief Financial Officer.

WITNESS my hand and official stamp or seal, this 20th day of March, 1997.



Joyce E. Hock
Notary Public
Brookings County, SD
My Commission Expires: 5-5-02

STATE OF MICHIGAN)
) ss
COUNTY OF OAKLAND)

I, Barbara Ann Jester, a Notary Public of the County and State aforesaid, certify that Michael J. MacMichael personally came before me this day and acknowledged that he is Assistant Vice President of Comerica Leasing, a Division of Comerica Bank, a Michigan banking corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Assistant Vice President.

WITNESS my hand and official stamp or seal, this ____ day of March, 1997.

Barbara Ann Jester, Notary Public
Oakland County, Michigan
My Commission Expires: 05/09/2001

**ANNEX A TO LEASE SUPPLEMENT
AND ACCEPTANCE CERTIFICATE NO. 1**

EQUIPMENT DESCRIPTION

The Equipment shall include the various items referenced below:

Ten (10) SD-9 and fourteen (14) SD-10 six axle medium horsepower locomotives

<u>SD-9</u>	<u>SD-10</u>
DME 6601	DME 544
DME 6602	DME 545
DME 6609	DME 546
DME 6610	DME 548
DME 6611	DME 549
DME 6612	DME 550
DME 6614	DME 551
DME 6615	DME 553
DME 6617	DME 555
DME 6620	DME 556
	DME 557
	DME 558
	DME 559
	DME 560

ANNEX B TO LEASE SUPPLEMENT
AND ACCEPTANCE CERTIFICATE NO. 1

CASUALTY LOSS VALUE SCHEDULE

Casualty Loss
Value Date

Casualty Loss*
Value

Commercially sensitive information omitted from filing copy.

* Expressed as a percentage of Acquisition Cost; Casualty Loss Values are exclusive of all Basic Payments, Supplemental Payments and Make-Whole Amounts then due or owing or accrued to such Casualty Loss Value Date.

**ANNEX C TO LEASE SUPPLEMENT
AND ACCEPTANCE CERTIFICATE NO. 1**

MAXIMUM RISK AMOUNTS

Expiration Date	Lessee Amount*	Lessor Amount*
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Commercially sensitive information omitted from filing copy.

* Expressed as a percentage of Acquisition Cost.

**ANNEX D TO LEASE SUPPLEMENT
AND ACCEPTANCE CERTIFICATE NO. 1**

TERMINATION VALUE SCHEDULE

Termination
Value Date

Termination*
Value

Commercially sensitive information omitted from filing copy.

* Expressed as a percentage of Acquisition Cost; Termination Values are exclusive of all Basic Payments, Supplemental Payments and Make-Whole Amounts then due or owing or accrued to such Termination Value Date.